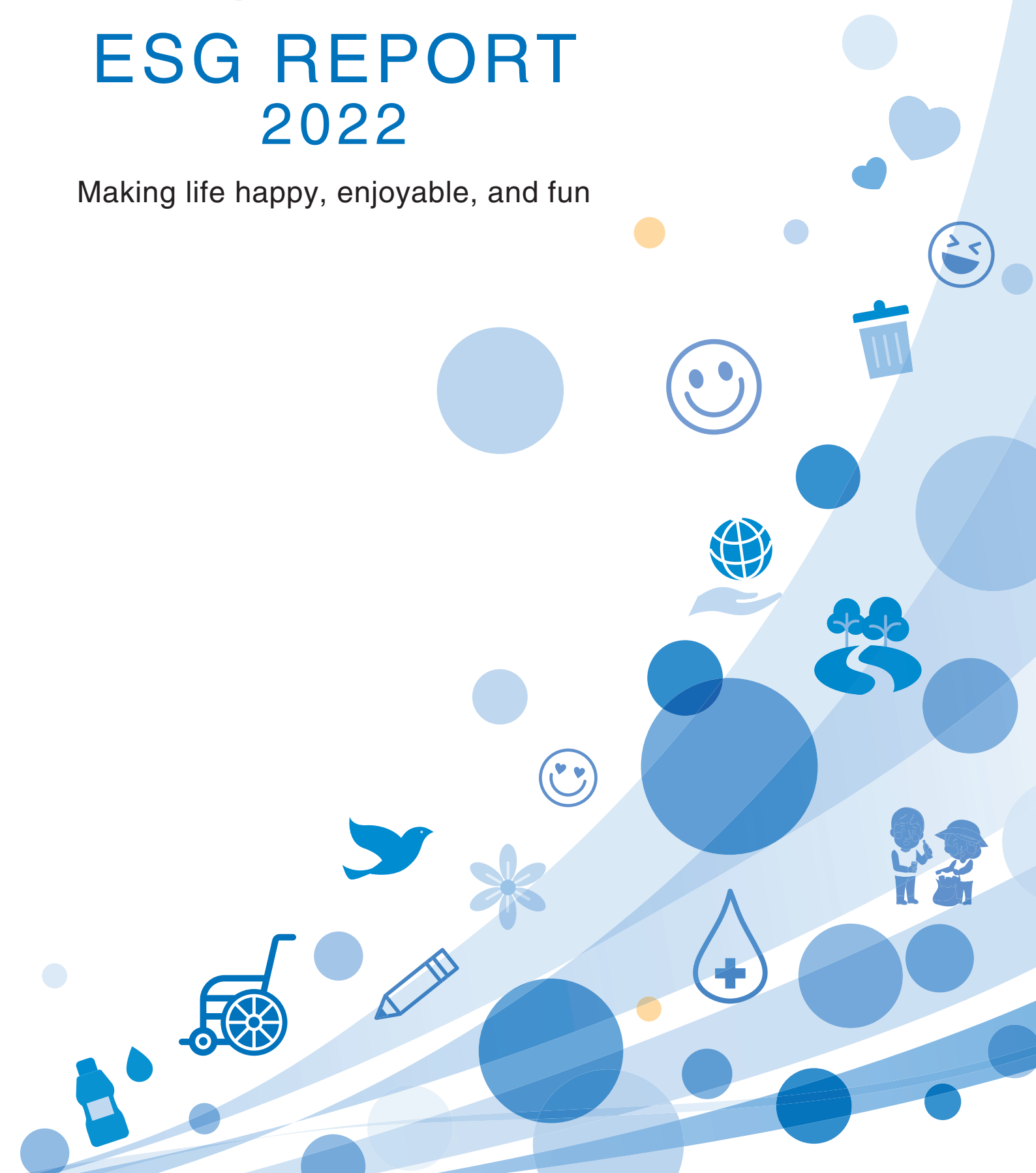




# ESG REPORT 2022

Making life happy, enjoyable, and fun



株式会社 ニラク・ジーシー・ホールディングス

**NIRAKU GC HOLDINGS, INC.\***

(Incorporated in Japan with limited liability 於日本註冊成立的有限公司)

Stock Code 股份代號 : 1245

# ESG REPORT 2022

## Introduction

For more than 70 years, guided by our management philosophy, NIRAKU GC HOLDINGS, INC. (“NGCH” or the “Company”) has been engaged in the business of operating pachinko halls, principally in Fukushima Prefecture, Japan. NGCH (together with its subsidiaries, the “Group” or NIRAKU Group”) believe that for the Group to exist in perpetuity and to harmoniously coexist and develop together with society, it is essential that we utilize the 70 or more years of experience we have built up since our founding to conduct management operations with a focus on ESG (Environment, Society, and Governance), which includes contributing to local communities.

NIRAKU Group has prepared this ESG Report (the “Report”) with the aim of enhancing our corporate value over the long term. We would be pleased if this report offers all of our stakeholders the opportunity to understand NIRAKU Group’s initiatives.

## About this report

This ESG report discloses information related to the environmental, social and governance (“ESG”) aspects of NIRAKU GC HOLDINGS, INC. in conformity with the Appendix 27 to the Rules Governing the Listing Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “ESG Guidelines”).

\*For information on governance, please refer to the Corporate Governance Report of Annual Report 2022.

As the main activity of the Group is the management of pachinko halls, which is the principal business of NIRAKU Corporation (below, “NIRAKU”), a subsidiary of the Group, this report will focus on ESG initiatives at NIRAKU.

Except where otherwise noted, this report covers the period from 1 April 2021 through 31 March 2022, the same period covered by the Annual Report 2022.

The executive officer responsible for risk management (“CRMO”) has compiled this report and the Board of Directors of the Company has approved it.

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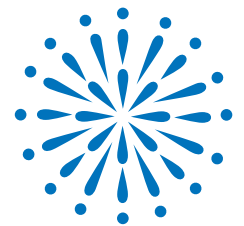
## ESG Initiatives and Stakeholders Engagement

The board (the “Board”) of directors (the “Directors”) of the Company has responsibility for ESG-related strategies, including determining the risk evaluation related to ESG for NIRAKU Group, engaging in appropriate and effective ESG risk management, and keeping internal control system in place.

NIRAKU Group has identified relevant ESG issues and assessed their significance to the Group's business and to its stakeholders through daily reviews of operations and internal discussions with management and employees from different departments within the Group. As a result, this Report addresses in detail the areas we believe are significant from an ESG perspective.

Furthermore, as the Group considers the reduction of CO<sub>2</sub> emissions to be a top-priority ESG issue for management, the Board resolved at its meeting held in March 2022 that the Board will manage and supervise CO<sub>2</sub> emissions at NIRAKU. During the reporting period, the NIRAKU Group was not aware of any non-compliance with laws and regulations that might have significant impact on the Group in relation to any key issues.

We solicit feedback from all of the stakeholders to make this Report's preparation process as inclusive as possible. For more detailed information about the feedback, please refer to “Feedback Form” at the end of this Report.





## Top Message





# Beyond 100 Years with the Community



The Group has been carrying on its philosophy of "Providing happy times for people by making the world cheerful, fun and entertaining" in our history.

The history of the Group's business is over 70 years. The reason we have been able to continue our business for more than 70 years is that we always place emphasis on our relationship with the community and have always been aware of harmonious coexistence with the community. Entities cannot continue their businesses on their own, and there is a greater need than ever for them to not only pursue profits for themselves, but also develop together with society.

Two years ago, the Group passed its ESG Management Declaration as a basic concept for conducting sustainable business, which reads, "NIRAKU Group prioritizes the public interest and considers its employees, customers, business partners, local communities, and the planet as a whole to be stakeholders. We aim for management that can achieve sustainable growth together with all." The concept of ESG, which is the benchmark for sustainable growth, is becoming increasingly important in business, as it serves as an index for selecting investment targets worldwide. In addition, SDGs (Sustainable Development Goals) established for the purpose of achieving a sustainable world is having a positive impact on corporate management.

The ESG Management Declaration sets out the following three specific points to be focused:

1. Properly appropriate the profits generated to employees, customers, local communities, environment, the entire earth, vendors and shareholders.
2. Manage the business with a sustainable growth that can contribute to society from a medium-to long-term perspective, rather than from a short-term perspective.
3. Audaciously invest in new areas and manage our business with an entrepreneurial spirit for the sustainable development of the Company.

These three objectives will also be important in shaping a new corporate culture for the next era of the Group.

The Group continues to take on the challenges and resilience to social changes, aiming to be a company that will continue for more than 100 years ahead of us.

Under the ESG Management Declaration, we will continue to strive to become a company that is indispensable to society and can meet the expectations of all stakeholders, considering the development and ideal form of our business.

Hisanori TANIGUCHI  
President and Chief Executive Officer of NIRAKU GC HOLDINGS, INC.



# Management Philosophy

## Making life happy, enjoyable, and fun Happy Time Creation

By making the world happy, enjoyable, and fun,  
we create a happy time for people.

### Corporate guidelines

#### Customers

#### For the benefit of everyone who uses NIRAKU

- We provide familiar, comfortable spaces, like being with a friend who understands and knows you.
- We provide relaxing pleasure to help you lead a vibrant, healthy life every day.
- We continue to act sensible, using this as the foundation of a relationship of trust.

#### Employees

#### For those who work at NIRAKU

- We promise to provide every opportunity to our employees as we believe that the growth of individuals with infinite potential is linked to the growth of the Company.
- Through mutual communication, we create a culture in which we encourage and motivate one another.
- United by bonds as strong as family, we continue to be a forward-looking group that rises to meet new challenges.
- We maintain a healthy, safe work environment that delivers peace of mind.

#### Regional Communities

#### For the Community and Business Partners

- As a good corporate citizen with outstanding ethical standards, we contribute to the development of local communities through our corporate activities.
- We are grateful to the earth, we are committed to reducing the environmental burden generated by our corporate activities, and we support individual environmental conservation activities wherever we can.
- We respect all like-minded business partners, and we build appropriate relationships grounded in equality.



# ESG Management Policy

“NIRAKU Group prioritizes the public interest and considers its employees, business partners, local communities, and the planet as a whole to be stakeholders. We aim for management that can achieve sustainable growth together with all.”

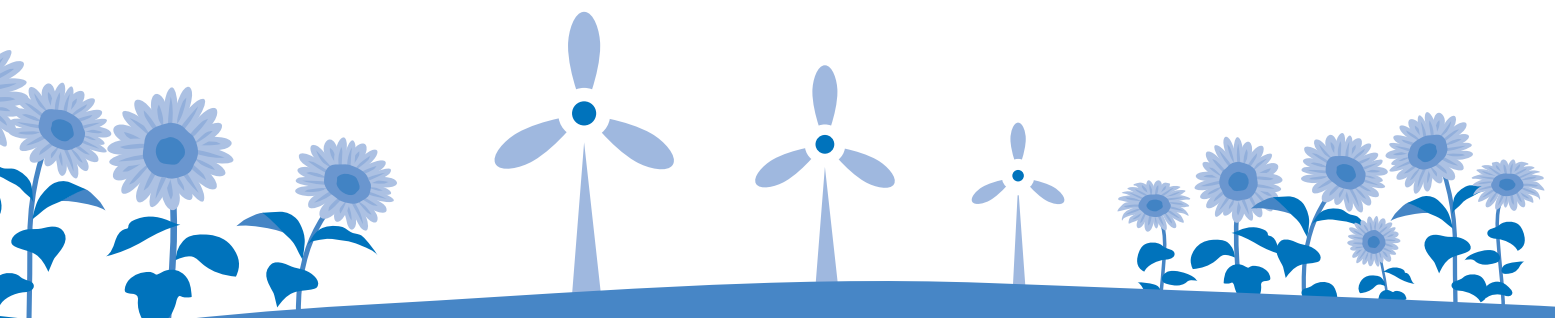
1. Properly appropriate the profits generated to employees, customers, local communities, environment, the entire earth, vendors and shareholders.
2. Manage the business with a sustainable growth that can contribute to society from a medium-to long-term perspective, rather than from a short-term perspective.
3. Audaciously invest in new areas boldly and manage our business with an entrepreneurial spirit for the sustainable development of the Company.

This declaration represents our fundamental approach to running a sustainable business, and moving forward, underpins the management policy of the Group, centered on ESG/SDGs (CSV 2.0) concepts.

## “Setting ESG themes”

	7 core ESG themes	ESG priority issues	International community goals	
E	Environment	Climate change		
		Prevention of air pollution		
		Promotion of energy conservation		
		Conserving biodiversity		
		Water management		
		Waste and recycling		
S	Fair business practices	Compliance with fair trading		
		Supply chain management		
	Human rights	Respect for human rights		
		Labor practices		Personnel & benefits
				Employee health & safety
	Consumer issues	Human resource development		
		Diversity		
		Product quality & safety		Product quality & safety
				Value of health (health & nutrition)
				Product packaging information disclosure
				Product availability
	Fair marketing and advertising	Fair marketing and advertising		
		Protection of personal information		
	Participation to communities Community development	Community and human rights issues		
Community and local activities				
Community and industry development				
Community and environment/culture				
Community support in disaster recovery				
G	Organizational governance	Corporate governance		
		Risk management		
		Compliance		

Reference: Global Strategy in the New Era of Sustainability—Creating New Value by Utilizing SDGs (by Hidemitsu Sasaya)





# Environment



## Environment

Based on our corporate philosophy of "Being grateful to the Earth, reducing the environmental burden caused by our corporate activities, and supporting individual environmental conservation activities as much as possible", the Group is committed to effective use of resources to help achieve a low-carbon society and is moving ahead with efforts to prevent environmental pollution.

Our corporate activities complied with Japanese laws and regulations relating to the environment, including but not limited to greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. We have not experienced any legal violations.







## Environmental Management

We are actively undertaking environmental conservation activities aimed at preventing global warming, which has come under increased scrutiny for its environmental impact. In addition to complying with environmental laws and regulations, we will address this in all business aspects, for instance, reducing consumption of electricity for air conditioning and lighting in all halls and buildings, introducing paperless internal communications, waste recycling, reducing use of water resources, and more. We are committed to reducing the burden on the environment and continuously improving our business activities to be more considerate of the global environment.

### Reducing electricity use and electricity costs

#### Introducing LED lighting

As part of our initiative to reduce electric power consumption, NIRAKU switched over lighting fixtures in its business center to LED lighting in 2012, the year after the Great East Japan Earthquake. Furthermore, during the 6 years from 2012 to 2017, we switched over all interior and exterior lighting at our halls to LED lighting in order to improve the gaming environment for customers and reduce electricity costs, thereby reducing the amount of electricity consumed by lighting by 66%.

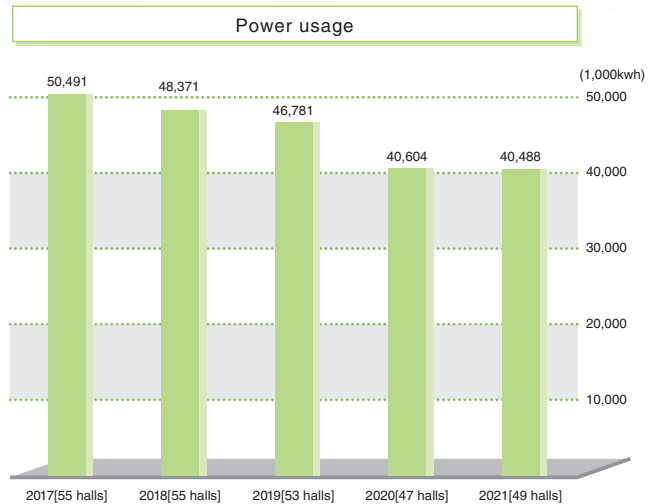
- Performing rigorous temperature control to maintain air conditioning inside halls at no more than 26°C.
- Implementing air conditioning power supply management in backyards according to the space and purpose of usage.



#### Reducing power consumption by air-conditioning equipment

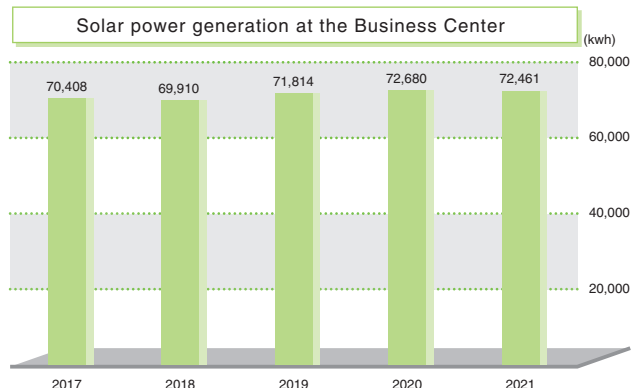
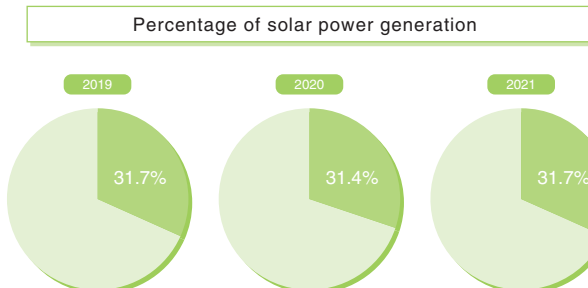
Air-conditioning equipment represents about 50% of total electricity use in our halls, and cutting the amount of electricity used by air conditioning has a powerful effect in reducing electricity consumption. For this reason, in addition to manual temperature management conducted by our hall staff, from 2014 to 2018 we also introduced air conditioning power reduction systems in 18 halls. As a result, contracted power was reduced by 15% compared to before pre installation. In the future, we are planning to introduce this in other halls and newly opened stores while continuing to verify its effect.

- Partially turn off lighting inside halls and vending machines lighting
- Partially turn off backyard lighting and turn off all lighting when the premises is not in use
- Partially turn off parking lot and bicycle parking and turn off neon lighting
- Managing power conservation when equipment and machine are not in use



#### Utilizing solar power generation

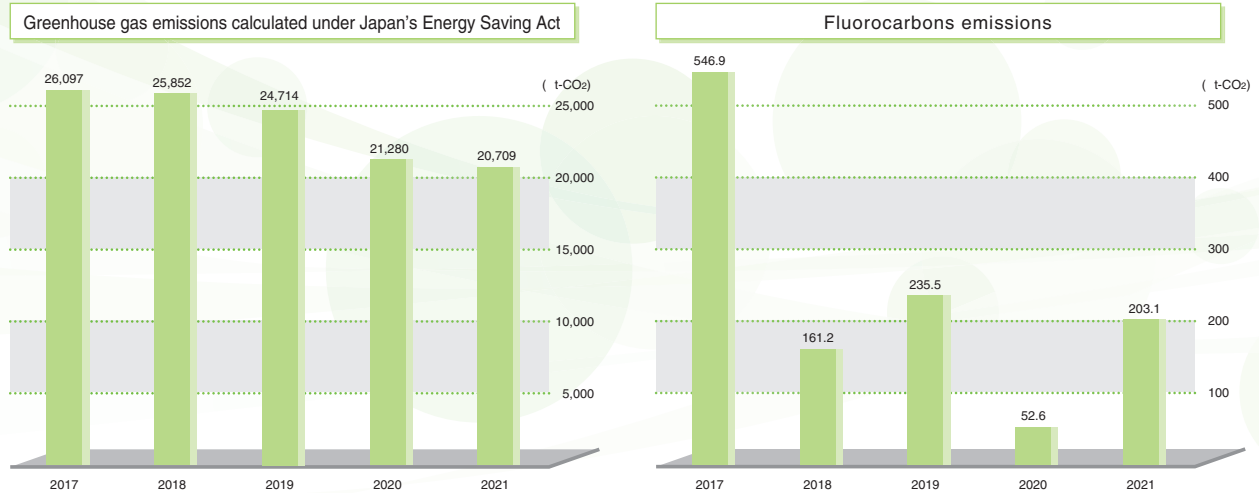
In June 2012, we started solar power generation—a form of green energy that does not emit CO<sub>2</sub>—at our business center. About 30% of the electricity used in the business center has been supplied by solar power since we commenced operations. Since April 2021, we have been moving ahead with installation of solar power generation equipment on our halls' rooftops. By the end of March 2022, installation was completed at 16 of the 49 halls we operate. Looking to the future, we will continue to move ahead with decarbonization of electricity used in our halls seeking to avoid cost increases due to future carbon tax burdens, and we contribute to local communities by being environmentally considerate. CO<sub>2</sub> emissions per basic unit (floor space) for the fiscal year ended March 31, 2022 were 0.297 t-CO<sub>2</sub>/m<sup>2</sup>.



## Preserve the environment

### Effort to reduce greenhouse gas emissions

Initiatives to reduce emissions such as greenhouse gases, NIRAKU has been designated as a specified business operator under Japan's Energy Saving Act. To make effective use of fuel resources, we are promoting rational use of energy as well as working to reduce greenhouse gas emissions by managing air-conditioning equipment in accordance with Japan's chlorofluorocarbon (CFC) gas emission control law.



### Initiatives to conserve resources and change to eco car

In order to scale back the burden on environmental resources, we are promoting paperless distribution of documents for internal meetings. Especially within our sales department, which conduct meetings frequently, we have implemented thorough digitization of materials for distribution via cloud. For our monthly sales policy decision meetings, we have introduced web conferencing with remote areas, which reduces greenhouse gas emissions generated by using transportation as well as saving the cost involved in travel. In addition, the Group collects document waste annually, which is recycled into paper. In addition, we are actively undertaking environmental protection initiatives such as installing water-saving toilets and introducing eco-friendly cars.



Going paperless



Online conferencing



Recycling of paper



Installation of water-saving toilets



Introduction of eco-cars



Online conferencing



Introduction of eco-cars



# Society



Customers

Employees

Local Communities



# Corporate guidelines

## Customers

### For the benefit of everyone who uses NIRAKU

- We provide familiar, comfortable spaces, like being with a friend who understands and knows you.
- We provide relaxing pleasure to help you live in a vibrant, healthy life every day.
- We continue to act sensible, using this as the foundation of a relationship of trust.



### Ensuring players can enjoy safe and secure play

The NIRAKU Group is working to further improve the gaming environment and customer service from customers' perspective, based on our "customer-oriented" action guidelines. Our goal is to create halls where local residents can unwind and enjoy some relaxing moments in the spirit of friendship, so that even visitors who do not play pachinko or slot machines also feel at ease when stopping by.





## Measures against addiction

NIRAKU is furthering advanced research into dependency countermeasures, against the background of the approval of the IR promotion Law in December 2016. In May 2018, we formulated and declared our basic policy, based on the concept of “responsible gaming.”

We remain committed to addressing the problem of dependency and fixation on pachinko, with the aim of achieving “zero dependency on pachinko by 2050.”

### Basic policy <Responsible gaming>

With regard to excessive fixation that may be caused by the gaming we provide, NIRAKU takes responsibility for making efforts to prevent and minimize this.

1 Educating employees

2 Encouraging prevention

3 Maintaining a safety net

4 Harmonise with local communities

#### 1 Educating employees Human resources development

Training employees with accurate knowledge can lead to early detection and preventing customers from excessive fixation.

We need to have accurate knowledge in order to face the issue of excessive fixation. Having accurate knowledge creates opportunities to think more deeply about the state of gaming and the background of each customer in front of you. This will lead to actions that are more in line with customer's feelings.

#### 2 Encouraging prevention Environmental initiatives

We encourage suitable methods of gaming and healthy behavioral habits, and we offer appropriate support so that our customers can enjoy gaming in a safe and reasonable way.

Conventionally, countermeasures focused on taking action only after problems occurred. We now work to prevent the occurrence of problems by addressing preventive measures at earlier stage.

#### 3 Maintaining a safety net As a member of society

Working in conjunction with support groups and recovery facilities, we endeavor to help customers with problems head toward recovery at an early stage.

We maintain a safety net for the local area around each of our halls. We also cooperate and coordinate with existing consultation services and support groups.

#### 4 Harmonise with local communities Regional and social contribution activities

Through the above activities, we create gaming halls that help local residents to enjoy gaming in safe and peace of mind.

Our halls exist with the support of the local community. We contribute to the development of the local community so that customers and local residents know that they can play with peace of mind at NIRAKU—so they are happy that NIRAKU is there.





## Specific efforts

### Evacuation drill & evacuation guidance in the event of disaster, based on our BCP

Countless customers visit our pachinko halls every day. NIRAKU works to ensure our customers' safety by complying with the Fire Service Act, offering disaster preventive education to our employees as well as conducting firefighting training (twice annually), firefighting equipment inspection (twice annually), and fire prevention target inspection (once annually) at all our halls. Based on our experiences of disaster in the wake of the Great East Japan Earthquake, we formulated our BCP (Business Continuity Plan) in 2017 and commenced periodic training in the event of natural disasters. Through these efforts, we aim to further raise every single employee's awareness of disaster readiness and ensure we are as prepared as possible for disasters.

- Drills

Fire drills 2 x per year/ Firefighting equipment inspection 2 x per year/  
Fire prevention inspections 1x per year



### Measures to prevent children being left in vehicles

NIRAKU is committed to preventing incidents stemming from children from being left in cars. In all halls that have parking lots, hall employees patrol the parking lots once every hour from May to October and once every two hours from November to April, inspecting vehicles for any children left inside. During the fiscal year ended March 31, 2022, nothing abnormal was discovered during inspections and no incidents occurred.



### Emergency measures (installation of AEDs)

We started installing AEDs (Automatic External Defibrillators) in 2010 and we completed AED installation in all halls and sales offices by January 2011. Additionally, all employees undergo training using simple cardiopulmonary resuscitation simulation kits. Currently, in order to prevent our AEDs from becoming unusable due to age and deterioration and to maintain the top level of emergency readiness, we have entered into a service agreement with a security company to provide comprehensive services ranging from AED maintenance to training.

- Training content

By watching the accompanying DVD (about 40 minutes), trainees learn the importance of life, the importance of the first discoverer, chest compressions, and the correct usage and significance of AEDs. Trainees open the CPR training box, prepare pseudo-AED and AED pads, practice exercise strength by performing chest compressions and applying proper timing and pressure on plastic molded heart equipment.



### Measures to prevent passive smoking

Following amendment of the Health Promotion Act, from April 2020, pachinko halls have been non-smoking, as a general rule, all NIRAKU halls have been completely separated into smoking and non-smoking areas. With this revision of the law, NIRAKU will continue to improve the gaming environment in order to provide relaxing spaces where smokers and non-smokers alike can feel at ease, and where patrons can play in a safe, secure environment every day.



### Installation of "All Gender" restrooms

"All Gender" restrooms are installed in halls so that customers can use them with peace of mind, regardless of disability and without gender restrictions.



# Corporate guidelines

## Employees

### For those who work at NIRAKU

- We believe that the growth of individuals with infinite potential is linked to our growth as a company, and we promise opportunities to grow.
- By talking together, we create a culture in which we encourage and motivate one another.
- United by bonds as strong as family, we continue to be a forward-looking group that rises to meet new challenges.
- We maintain a healthy, safe work environment that delivers peace of mind.



### Our approach to human resources

At NIRAKU, we believe all our workers represent valuable assets, and we view them as human capital whose value increases as we invest in them. Based on this notion, we constantly invest in education and training, and strive to cultivate a corporate culture that makes the most of the abilities of each and every employee. We will continue to build a better corporate culture. Meanwhile, we take a proactive stance to provide an equal room to grow for all employees and promote the organizational activation by developing human capital with capabilities to make innovation happens.





Creating a culture of personal growth and organizational revitalization through development of human resources

At NIRAKU, we believe the growth of individuals with infinite potential is linked to the growth of the Company. By actively providing all employees with opportunities for growth and developing human resources capable of sparking innovation, we are working to revitalize our organization.

Frameworks for educational programs

Focusing on leadership development, we encourage the fostering of a positive corporate culture, as well as working to develop leaders at the management level through our unique training program in order to discover human resources who will lead the future. The training participation rate and average hours of training per employee for the fiscal year ending March 31, 2022 were 10.5% and 1.0 hour for male employees, and 3.2% and 0.6 hours for female employees, respectively.



Training system

Grade		I		II		III	IV	V	VI
Position	New employees	Crew	Assistant Manager	Store Manager	Area Manager	General Manager	Director	Executive Officer	
		Manager/Staff							
Job	General personnel		Junior management		Mid-level management	Senior management	Top management		
Core training	New Employees' Compliance Harassment Training								
Training by department/ by level	Sales Department	Basic training (NIRAKU history, pachinko basics, amusement industry law basics)	Practical business training (basics of managing figures)	Assistant Manager Training/Store Manager Training/Area Manager Training				External lectures for management leaders	
				Practical business training (Sales/Labour Management)	Practical business training (Marketing/Sales/Labour Management)				
	Staff	Seminars in various specialist areas (External)							
		Business Skills (intermediate)			Business Skills (advanced)				
On-job training	On-the-job training from superiors & trainers								







Creating a corporate culture in which diverse human resources can play an active role

### Promotion of Women's Participation

We are working to provide a comfortable working environment to help all employees not only find employment opportunities, but to improve their abilities and develop their careers. Through these initiatives, we are working to support the achievement of the ideal work-life balance while striving to promote success for women.



#### Support for each prospective female employee

Regarding work-life balance, we try to match prospective female employees with senior female employees with extensive experience, so they can discuss specifics about systems and well-being and deepen their understanding of work-life balance.

#### Exchange of information

Through their participation in various study sessions, we are working to improve women's skills and create a pleasant working environment.



#### Eruboshi Mark Obtained

In March 2017, NIRAKU was granted Level 3\* Eruboshi certification by the Minister of Health, Labour and Welfare, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, for excellent implementation of initiatives to promote the success of women.

#### Five criteria

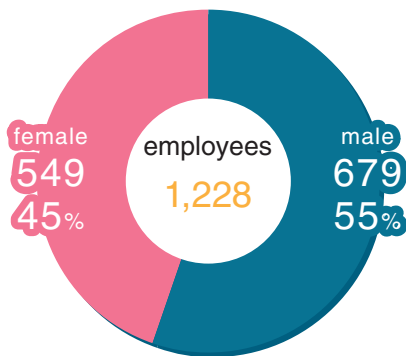
- ① Recruitment
- ② Continuing employment
- ③ Ways of working, including work hours, etc.
- ④ Proportion of female managers
- ⑤ Diverse career courses

#### Number of managers/Proportion of female employees

Year.	2019	2020	2021
Total	120	105	95
Number of male managers	115	100	90
Number of female managers	5	5	5
Proportion of female managers	4.2%	4.8%	5.3%

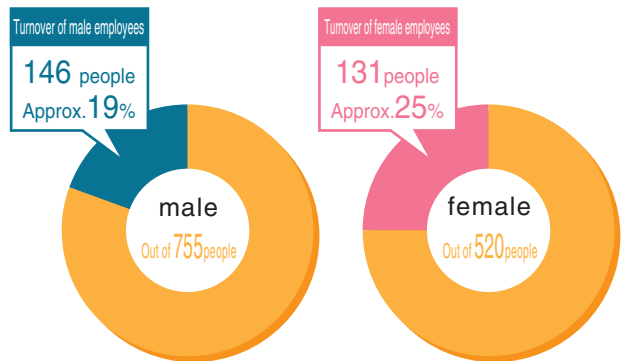
#### Employee numbers and gender ratio (as of March 31, 2022)

\*Total of full-time, part-time, and casual employees



#### Employment turnover rate

\*Total of full-time, part-time, and casual employees



#### New employee information (as of March 31, 2022)

Age	Full-time employees		Part-time & casual employees	
	male	female	male	female
~29	110	31	59	129
30~39	154	34	49	119
40~49	212	16	25	131
50~59	39	13	18	67
60~	11	1	2	8

#### Turnover information (as of March 31, 2022)

Age	Full-time employees		Part-time & casual employees	
	male	female	male	female
~29	33	2	35	70
30~39	31	2	13	25
40~49	16	5	7	15
50~59	2	3	1	4
60~	6	3	2	2

Promoting employment of people with disabilities

Based on its policy of contributing to the development of local communities, the NIRAKU has achieved the legally mandated rate of employment of people with disabilities. In February 2010, we established a special subsidiary, NIRAKU MERRIST Corporation, to promote employment of persons with disabilities. At NIRAKU MERRIST Corporation, we are working to create an environment where people with disabilities can actively work and expand the scope of their employment, such as cleaning and weeding of halls and premises, and cleaning and management of company housing and training centers. As a result, in 2016, NIRAKU received a commendation from the Minister of Health, Labour and Welfare at a national award ceremony to recognize and celebrate employment of persons with disabilities.



Number of employees with disabilities

	Employees	Employment rate	Statutory employment rate
2022	39	4.2%	2.3%
2021	40	3.4%	2.2%
2020	43	3.4%	2.2%
2019	45	3.3%	2.0%



In March 2020, the CTP (Craftsman Trimming Plants) Project team was established to weed and prune the grounds of NIRAKU halls.





## Creating a pleasant work environment

Our aim is to create a healthy, safe, and secure work environment. We seek to create an energized, pleasant work environment, and to optimize employees' work-life balance and working styles.

### Work-life balance initiatives

At NIRAKU, we believe that personal growth leads to corporate growth. As part of our efforts to support the personal growth of employees, we have implemented various systems and work environments to help our employees, regardless of gender, balance work and family life events such as marriage, childbirth, child rearing, and nursing care.

#### Systems to support work-life balance

##### Support systems for balancing work and family life

The workplace environment that we have established encourages employees to take annual paid leave (5 consecutive holidays planned), as well as accumulation of forfeited paid leave (life support allowance), childcare and nursing care leave, and so on.

##### Iku-Boss Declaration

In March 2017, we issued an Iku-Boss Declaration in support of the Iku-Boss Declaration movement as pursued by Fukushima Prefecture.



#### Platinum Kurumin Mark Obtained

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, NIRAKU has earned the Kurumin and Platinum Kurumin certifications from the Minister of Health, Labour and Welfare in recognition of our efforts at a higher level.

#### Return-to-work rate after childcare leave (2021)

	Eligible employees	Employees who have taken childcare leave	Returned to work in 2021	Proportion of employees taking childcare leave returning to work
male	9	5	4	100%
female	9	9	4	44%

◆ 4 employees did not take childcare leave, instead taking special leave or other leave

◆ The remaining 5 employees returned to work in 2022

##### Remote working for employees

We have implemented remote working, including both telecommuting and mobile working, and are working to develop systems that support flexible work styles and a workplace culture that facilitates their use.



#### Dialogue with employees

##### Interviews with supervisors

Every six months, we provide opportunities for supervisors and junior employees to meet and offer each other support to expand opportunities for growth through goal setting and feedback on personnel evaluations.

##### Labor-management dialogue

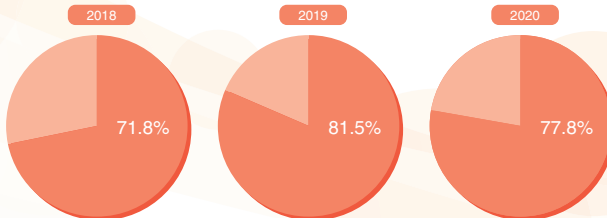
The UA Zensen NIRAKU Union was formed in 2005 with the aim of developing corporate business, maintaining and improving the working environment, and achieving comfortable lives for employees through labor-management cooperation. Regular labor-management meetings and committee meetings are held, including active discussions to resolve issues while also incorporating the opinions of employees in regard to the working environment and working conditions.



### Safe working environment

In order to prevent occupational accidents and occupational illness in the workplace, we have instituted a company-wide safety and health management system by appointing a comprehensive safety and health manager to our business center (headquarters), as well as hygiene managers and industrial health physicians (safety and health promotion personnel for small-scale workplaces with fewer than 50 employees) for each workplace. We seek to gain an understanding of the actual situation and health and safety issues at each workplace. In regard to health management, in addition to regular health examinations, we have instituted both in-house and external consultation services, including NIRAKU Hotline (an internal reporting service) and EAP (mental health support), and we strive to prevent overwork by employing industrial health physicians to conduct checks of lengthy work hours and encouraging our employees to take annual paid leave.

Trends of paid vacation acquisition rate



\*Currently, KPIs in 2021 are not available.

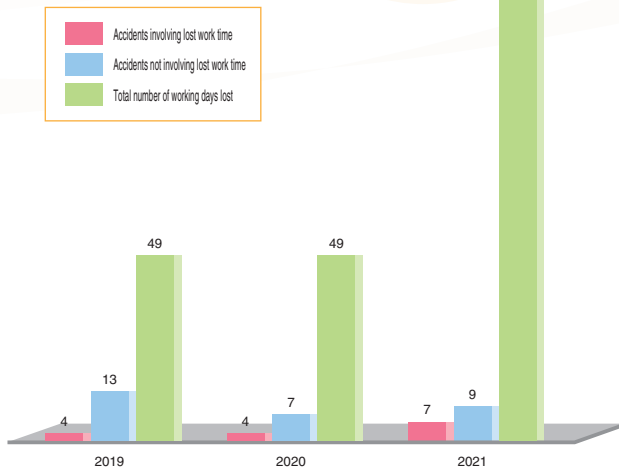
Work-related injuries severity rate\*

For the year ended March 31, 2022

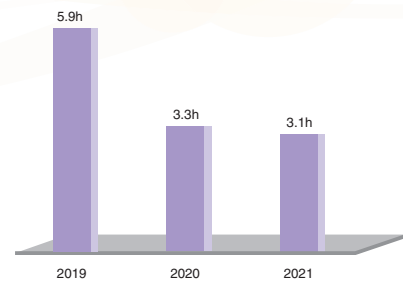
0.01%

\*Calculated based on the Group in Japan. The work-related severity rate is calculated by the number of lost work days divided by total working hours multiplied by 1,000. This indicates the severity of labor accidents.

Number of occupational accidents and total number of working days lost



Health checkup rate



### Health management initiatives

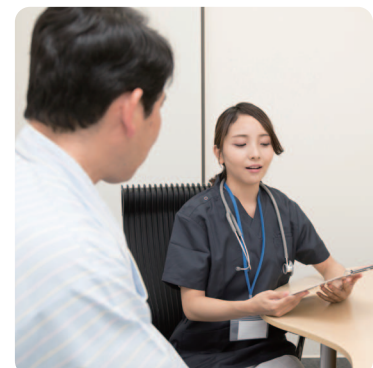
To maintain the good health of our employees, we have set a target rate for health checkups and are pursuing a series of expanded initiatives to increase the rate of health checkups.

#### Monitoring the mental health of employees through interviews

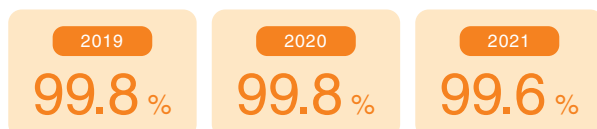
We regularly monitor the mental health status of our employees through stress checks conducted by an external specialist organization and interviews with occupational physicians for overworked employees, striving to grasp the actual status of employment and health.

#### EAP counseling room

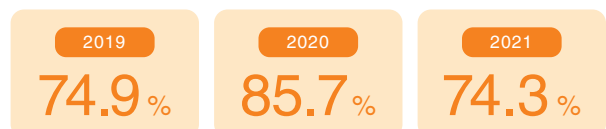
We have established an EAP counseling room for mental and physical counseling, which provides mental health care in consideration of privacy.



Health checkup rate (past 3 years)



Secondary health checkup rate (past 3 years)



# Corporate guidelines

## Local Communities

### For the Community and Business Partners

- As a good corporate citizen with outstanding ethical standards, we contribute to the development of local communities through our corporate activities.
- We are grateful to the earth, we are committed to reducing the environmental burden generated by our corporate activities, and we support individual environmental conservation activities wherever we can.
- We respect all like-minded business partners, and we build appropriate relationships grounded in equality.

#### Basic CSR Policy

At NIRAKU, under our management philosophy—"By making the world happy, enjoyable, and fun, we provide a happy time for people"—the Company itself, our halls, and all our employees are committed to be good corporate citizens contributing to sustainable development, both in our relations with society as a whole and with local communities.



#### Active Local Engine

At NIRAKU, our local halls play a major role in addressing the issues of how to thrive in harmony with local communities. One of these activities is the "Active Local Engine." Specifically, we bring together some minor fun and enjoyable things in each hall's local business area, create common talking points with our customers and local residents, we share things that are fun and enjoyable. In addition, our regular CSR activities among local communities and charitable donation activities are pursued under this unified concept.

※ Active Local Engine is a collective term for CSR activities based on our fundamental CSR policy of creating connections with local communities through various activities.

ACTIVE LOCAL ENGINE



## Charitable & volunteer activities

### Concluded disaster response agreements with Koriyama City and Ebina City

In light of the damage caused by large-scale natural disasters such as unexpected heavy rainfalls and typhoons in recent years, and as a way to give back to the community and help support the creation of safe, secure communities, 10 NIRAKU halls located in the cities of Koriyama and Ebina signed an agreement on disaster response and other related matters.

#### Koriyama City, Fukushima Prefecture(9 halls)



Koriyama Oomachi



NIRAKU Koriyama Omachi hall's multi-story parking lot

#### Details of agreement

Provision of temporary vehicle evacuation sites, such as parking lots



Provision of tap water, toilet facilities, etc. to evacuees



Provision of various disaster information to evacuees



The large screens of the NIRAKU Koriyama Omachi hall display a variety of local community information, in addition to disaster readiness information.

#### Ebina City, Kanagawa Prefecture (1 hall)



NIRAKU Ebina Hongo hall



NIRAKU Ebina Hongo hall's multi-story parking lot

#### Details of agreement

Provision of temporary vehicle evacuation sites, such as parking lots



In response to a request from the Ebina City authorities, the multi-story parking lot (capacity 452 vehicles from 2nd floor to rooftop) of the NIRAKU Ebina Hongo hall will be provided in the event of a planned emergency discharge of the Shiroyama Dam, causing the Sagami River to overflow.

Donation of pencils to Fukushima Prefectural Board of Education

To support elementary school education, the NIRAKU Fukushima Taiheiji hall has been delivering pencils collected through the generosity of our customers to elementary schools in Fukushima Prefecture through the Fukushima Prefectural Board of Education. Up to date, a total of 56,957 pencils (of value 2,278,280 yen) have been provided.



Donations of candies to local children

Candies and pencils left by patrons after exchanging for prizes at NIRAKU halls are donated to community events, children's facilities, welfare facilities, elementary schools, kindergartens, and so on.



Donations of prize items

At all NIRAKU halls, 1% of the profits from popular PB prizes is donated to the Victim Support Center of Fukushima. From April 2017 to March 2022, we made donations totaling 372,185 yen.



Donations of gaming machines

We donate pachinko machines and slot machines no longer in use at halls to nearby welfare facilities for the elderly, homes for the elderly, nursing care facilities, etc. We have received positive feed backs from those with actual experience of these games, stating that they help with "brain rehabilitation and finger movement". We donate pachinko machines and slot machines no longer in use at halls to nearby welfare facilities for the elderly, homes for the elderly, nursing care facilities, etc.



Donations to healthcare professionals

Amid ongoing concern about the spread of viral infection, we express our gratitude to all medical professionals on the front lines of medical treatment and infection prevention. As a company committed to community development, we have donated 2 million yen to Koriyama.



Donation of saori-style woven masks

During the pandemic, we donated masks decorated with saori-style weaving to Bonds-kun, the Fukushima Firebonds' mascot character, to help raise awareness of COVID-19 during the opening season.



Produced by NPO Residents Activity Center, Family-kan Asunaro

Volunteer activities supporting reconstruction in disaster-affected areas

Since the Great East Japan Earthquake on March 11, 2011, we have taken part in the "Midori no Kizuna Regeneration Project" organized by the Tohoku Branch of the Pachinko Industry Association (Nichiyukyo). This initiative is undertaken by the Forestry Agency of Japan to regenerate coastal disaster prevention forests damaged by the Great East Japan Earthquake, and is carried out every year near Arahama Ipponsugi, Wakabayashi, Sendai City, Miyagi Prefecture.





## Social contribution activities

### Assisted with management of the Shakadogawa Fireworks Festival in Sukagawa City



During the Shakadogawa Fireworks Display held in Sukagawa City (Fukushima Prefecture) every August, NIRAKU opens up its entire Sukagawa hall free of charge, pro-actively interacting with the local community by conducting 24-hour charity fundraising activities, donating proceeds from stall sales, and hosting and managing events on our premises.

### Held a workshop for the Big Tree Pageant Festa in Koriyama

To coincide with the Big Tree Pageant Festa in Koriyama light-up event hosted by the Koriyama Chamber of Commerce and Industry, and with the cooperation of the residents' association, we collect lampshades from local children depicting various feelings on the theme of "When things are fun and happy," with which we decorate the east exit of Koriyama Station.



### Attracting local food trucks in free parking spaces

To support restaurants in Fukushima Prefecture that have had difficulties operating recently due to the COVID-19 pandemic, as well as enhancing services for our customers, we have launched an initiative to attract local food trucks by offering spaces in the parking lots of two NIRAKU halls in Koriyama City, free of charge. Many restaurants and food trucks have opened stalls, selling easy-to-eat favorites such as yakitori and takoyaki, as well as bento boxes and other items.





Creating practical learning opportunities for students through industry-academia collaboration



To create practical learning opportunities for students whose academic options have been limited by the COVID-19 pandemic, we asked students of the International Art & Design College to create a corporate image commercial for NIRAKU and invited lecturers to hold classes and deliver presentations.

Free seminar addressing dependency and fixation issues

We consider measures against gambling and other dependency and fixation issues to be the corporate social responsibility (CSR) of pachinko hall companies, and we are proactively working on anti-dependency measures under our basic policy of "responsible gaming." Focusing on the four basic cornerstones of (1) educating employees; (2) encouraging prevention; (3) maintaining a safety net; and (4) harmony with local communities, we will continue to implement measures to prevent excessive fixation and prevent expansion of problems.



Study session for university students

At the request of Fukushima University, we held a study session for students interested in the current state of gambling dependence and NIRAKU's contribution to local communities, as well as measures to combat problems of dependency (fixation) in the pachinko industry, in line with the themes the students were addressing.

The 1st "Seminar on Awareness for Dependency Measures: Knowing about Pachinko Dependency and Thinking About Dependency Countermeasures"

On Wednesday, May 15, 2019, as part of an awareness week held in recognition of Japan's Basic Law for Countermeasures against Gambling Dependencies, we held a free seminar for 49 people either involved or interested in dependency issues.



The 2nd "Pachinko Dependency Study Session in Koriyama"

On Friday, November 8, 2019, a free seminar was held for about 80 people involved with pachinko or with local community support.

Support for sports promotions



At NIRAKU, we support the development of basketball, which offers dreams and hope. To demonstrate our commitment to their vision, we have entered a sponsorship agreement with the local Fukushima Firebonds professional basketball team, which was established in the wake of the Great East Japan Earthquake of March 11, 2011, as a gesture of hope for the children who will go on to form the next generation. For each home match, 30 people are invited free of charge to the NIRAKU seats for wheelchair users and others with disabilities.

Fukushima Firebonds[B. LEAGUE]

The team name of Firebonds is derived from the English words "fire," which suggests a fiery fighting spirit, and "bonds," which suggests ties and unity.



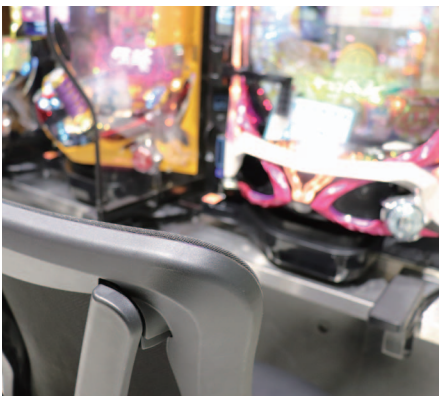


# Governance



Compliance

Risk management





## Policy on compliance

In its own ethical charter, NIRAKU Group declares corporate social responsibility to be the creation of new value in the world through ethical and legally fair management. Following various laws and social norms as a matter of course, we will earn the trust of our customers and of wider society by expressing high ethical standards and morals, thereby fulfilling our corporate social responsibility and continuously striving to contribute to social development.

### Industry-Leading Compliance System for Entertainment Business Law

In order to fully comply with the Law Controlling Business Affecting Public Morals, the law which regulates the entertainment and amusement business and mandates appropriate business operations, which is one of the most important laws in the management of pachinko halls, NIRAKU operates a double-check system. In our halls, checks are conducted monthly in accordance with legal requirements, and reports are sent to the internal audit team of the sales department. Furthermore, as a backup system, a dedicated team at the business center carries out audits of every store every two months, and reports findings to the internal audit team.



Double-check system constructed for halls and business centers

- 1 Checks are conducted monthly at halls
- 2 As a backup mechanism, a dedicated business center team conducts audits of all halls every two months

Reports for internal audit

### Preventing corruption

The Company's Code of Conduct prohibits behavior that takes advantage of a company's position, including bribery, excessive client entertainment, illegitimate or personal transactions, and any dealings with organized crime, and has implemented a training program to enable employees to achieve a full education in these matters.

### Preventing Unfair Competition (Obtaining related qualifications)

At pachinko halls managed by NIRAKU in order to prevent illegal remodeling of gaming machines, regardless whether internal or external, all store managers are qualified as gaming machine handlers by the Japan Gaming Business Association (Nichiyukyo), and are subject to regulation as persons responsible for management of installed gaming machines. In addition to obliging store managers to perform full-scale inspections at least once every three months, we constantly collect up-to-date information on illegal behavior both inside and outside the industry, and make use of this to implement specific countermeasures.



All store managers are certified as supervising gaming machine handlers (by the Japan Amusement Business Association)

Mandatory inspection of all gaming machines at least once every three months

We seek out the latest information on fraud, both within and outside the industry

### Protecting intellectual property rights

We have established internal rules and regulations to appropriately manage intellectual property rights, and to ensure that third-party intellectual property rights are not infringed upon. In particular, we have established separate guidelines for trademark rights and copyrights, which are frequently encountered in our business operations, and we keep our employees informed of key points to keep in mind when handling these rights.

### Protecting personal information

In accordance with Japan's Act on the Protection of Personal Information and related legislation, we have established internal regulations to ensure that personal information is handled appropriately.



## Risk management policy

Our Basic Regulations on Crisis Management explain our policy of striving to eliminate or mitigate the impact of various risks on NIRAKU stakeholders. In our crisis management efforts, we have classified categories of crises to be considered and we implement efforts aimed at ensuring business continuity and stable development through management of these respective crises.

### Establishment of Crisis Management Committee

The NIRAKU Group aims for continuity of business and stability of development, and the Crisis Management Committee meets regularly to ensure these aims can be reliably achieved. Such Committee assesses disasters, accidents, crimes, information security, and other significant risks and determines countermeasures, while ensuring the effectiveness of these through its own Risk Management Sub-committee, which carries out continuous monitoring and in-house educational activities.



### Crisis management

NIRAKU has built a system to minimize impacts on its business and on society by promptly and appropriately responding to crises arising due to various risks and by disclosing information based on its fundamental rules for crisis management. As part of crisis management, we maintain records and we devise and formulate appropriate measures to prevent recurrence.



### BCP (business continuity plan) initiatives

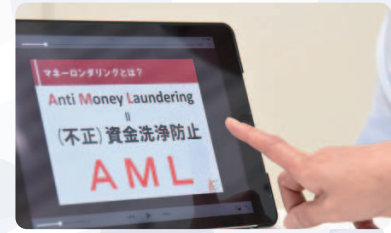
In 2017, NIRAKU Corporation formulated a BCP (business continuity plan) to minimize damage to its business assets and achieve rapid business recovery in the event of an unexpected crisis such as a large-scale natural disaster. Led by its Crisis Management Committee, NIRAKU is committed to reducing the risk of natural disasters through regularly review of BCP (business continuity plan), preparing manuals, and conducting education and training. In addition, operating our BCP (business continuity plan) enabled us to promptly resume business activities after being struck by several natural disasters, including earthquakes, in 2021 and 2022.



### Anti Money Laundering(AML)

We are sparing no efforts in promoting the discovery and reduction of anti-money laundering (AML) risks in pachinko hall management, which is the main business of our Group. Furthermore, we annually obtain written pledges from all executive-level employees, including all executive officers, to ensure the independence of the three-store system. All incidents related to AML are brought before the secretariat that oversees the Crisis Management Committee, which carries out inspections and investigations, and reports them to the Company's Chief Risk Management Officer (CRMO) and the Audit Committee.

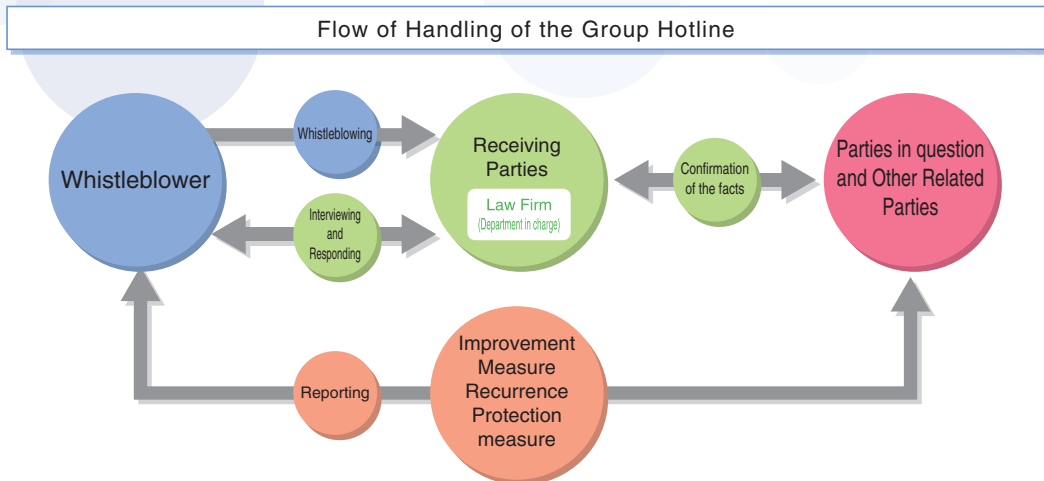
\*Please refer to ([www.ngch.co.jp/pdf/AMLPolicy.pdf](http://www.ngch.co.jp/pdf/AMLPolicy.pdf))



### Internal & external reporting systems

The NIRAKU Group has set up a whistleblower hotline that can be used by all employees as a shared point of contact across the Group when confronting acts that violate laws or ethical codes of conduct. In our response, we guarantee anonymity and thoroughly enforce the rules to protect whistleblowers.

With our external reporting service, an outside consultant (legal office) receives any reports, conveys the content of reports to the responsible company director, and monitors corrective actions and handling of the matter. With our internal reporting service, which is a system for reporting harassment and fraudulent activities, in order to strengthen compliance we commission an external law firm to handle these operations.



We have set up internal and external reporting lines and established a system to hear the opinions of all stakeholders to prevent any misconduct.

### Customer feedback

We have established a customer feedback desk to receive inquiries and comments via email or telephone. All customer comments received via email are shared directly with our sales department to be acted upon as necessary. All customer comments received by email and telephone are also collected by our General Affairs and Legal Division. After the content is examined carefully, it is shared at sales department meetings as part of each monthly report in a process designed to reflect customer feedback. During the fiscal year ended March 31, 2022, there were 635 customer comments, which increased 53 from the previous year, due in part to the increased number of business days after the COVID-19 pandemic.

### Ensuring transparency in business activities

The Group has established numerous provisions including employment regulations, internal approval regulations, supplier regulations, entertainment policy, and other regulations, including a group ethics charter. In addition, our Business Partner Selection Committee screens both corporations and individuals seeking to initiate new transactions for compliance and credit management based on the required documents specified in internal rules. We also take into account qualitative evaluations such as ease of communication to determine whether or not to start trading with a partner. In the future, we intend to consider adding environmental and social factors to these qualitative evaluations. Corporations and individuals with whom we already conducting transactions are screened annually, with ongoing transactions, etc. coming under review, in such a way that all screenings are completed over a three-year cycle. Our business partners for the period ended March 31, 2022 numbered 83 companies.



# Reporting guideline comparison table

## The Stock Exchange of Hong Kong Limited

### Environmental, Social and Governance Reporting Guide

Core Issues	Qualitative information / Indicators			Page
<b>A. Environmental</b>				
A1. Emissions	General disclosure		Policies relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	7-9
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.	7
	Index	KPI A1.1	The types of emissions and respective emissions data.	9
		KPI A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity	9
		KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 1
		KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Note 1
		KPI A1.5	Description of emission targets and steps taken to achieve them	7-9
KPI A1.6	Description of how hazardous and non-hazardous waste is handled, reduction initiatives, and steps taken to achieve them	Note 1		
A2. Use of resources	General disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	7-9
	Index	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	8
		KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Note 2
		KPI A2.3	Description of energy efficiency targets, and steps taken to achieve them	8
		KPI A2.4	Description of any problems that may emerge in appropriately procuring water for use, as well as water efficiency targets and steps taken to achieve them.	Note 2
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Note 3		
A3. The environment and natural resources	General disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources.	7-9
	Index	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7-9
A4. Climate change	General disclosure		Policies on measures to identify and mitigate important climate-related problems that are affecting or that may affect the issuer	7-9
	Index	KPI A4.1	Description of important climate-related problems that are affecting or that may affect the issuer, and steps taken to manage them	7-9
<b>B. Social</b>				
B1. Employment	General disclosure		Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	14-19
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	14-19
	Index	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	16
KPI B1.2		Employee turnover rate by gender, age group and geographical region.	16	
B2. Health and Safety	General disclosure		Policies relating to a safe working environment and protecting employees from occupational hazards.	19
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to a safe working environment and protecting employees from occupational hazards.	14
	Index	KPI B2.1	Number and rate of work-related fatalities.	NULL
		KPI B2.2	Lost days due to work injury.	19
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	19		

## Reporting guideline comparison table

Core Issues	Qualitative information / Indicators			Page
B3. Development and Training	General disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	15
	Index	KPI B3.1	The percentage of employees trained by gender, employee category (e.g. senior management, middle management, etc.).	15
		KPI B3.2	The average training hours completed per gender, employee by employee category.	15
B4. Labour Standards	General disclosure		Policies relating to preventing child and forced labour.	Note 4
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Note 4
	Index	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Note 4
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Note 4
B5. Supply Chain Management	General disclosure		Policies on managing environmental and social risks of the supply chain.	28
	Index	KPI B5.1	Number of suppliers by geographical region.	28
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	28
		KPI B5.3	Description of particular measures used to identify environmental and social risks along the supply chain, and how these measures are implemented and monitored	28
		KPI B5.4	Description of the practices used to prioritize environmentally considerate products and services when selecting suppliers, and how these practices are implemented and monitored	28
B6. Product Responsibility	General disclosure		Policies relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	26-28
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	26-28
	Index	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Note 5
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.	28
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	26
		KPI B6.4	Description of quality assurance process and recall procedures.	Note 5
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	26
B7. Anti-corruption	General disclosure		Policies relating to bribery, extortion, fraud and money laundering.	26-28
			Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	26-28
	Index	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	NULL
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	28
KPI B7.3		Description of anti-corruption training for our directors and employees	26-28	
B8. Community Investment	General disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	20-24
	Index	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	20-24
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	21-24

Notes:

Note 1 The Group's business activities do not generate significant levels of hazardous or non-hazardous waste.

Note 2 The Group's business activities do not involve significant consumption of water.

Note 3 The Group's business activities do not involve significant use of packaging materials.

Note 4 We consider upgrading disclosure of information and statistics for this item as necessary in light of materiality of its impact on environment, society and our business.

Note 5 The Group is not a manufacturer, so there are no relevant cases.

# Request for feedback

Dear readers: Thank you for reading the report. The Group welcomes your feedback on the report so that the Group can better shape the future ESG strategy and improve ESG reporting. Please send the filled feedback form to us via mail, fax, or post. Your feedback provided in this form will only be used for the purpose above and your personal data will not be transferred to any third party. The Group will make efforts to create happiness of people commencing the business philosophy “Happy, Enjoyable, Fun”.

## Q1 Which of the following best describes you and your relationship with us?

- Customer       Shareholder and Investor    Local community       Employee
- Supplier and Partner       Industry peer       Media       Industry association
- Government, Regulatory Authority    Academic, Research institution    Others(      )

## Q2 What is your overall rating on this report?

- 1.Very Good   2.Quite Good   3.General   4.Poor   5.Very Poor

## Q3 What is your rating on the following points about readability of this report?

- |   |                     |        |           |        |
|---|---------------------|--------|-----------|--------|
| 1 | Structure of report | 1.Good | 2.General | 3.Poor |
| 2 | Design, layout      | 1.Good | 2.General | 3.Poor |
| 3 | Length              | 1.Good | 2.General | 3.Poor |

## Q4 Which topics in this report are you most interested in?

## Q5 In addition to the contents that have been disclosed, what kind of topics do you wish to read?

## Q6 Do you have any other suggestions for this report?

Thank you for your cooperation.

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# ESG REPORT 2022



NIRAKU GC HOLDINGS, INC.

